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TAGS: ETRD, OECD

SUBJECT: GUIDANCE FOR FEB. 20 OECD/XCSS BUREAU MEETING:

OECD TRADE PLEDGE

FOR UNDER SECRETARY ROBINSON

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1. THERE FOLLOWS FOR USE AT OECD/XCSS BUREAU MEETING

FEB. 20 US POSITION AND TALKING POINTS IN SUPPORT OF RENEWAL OF OECD TRADE PLEDGE. POSITION EMPHASIZES DESIRABILITY OF USING EXISTING TRADE PLEDGE AS AN OVERALL FRAMEWORK FOR DEVELOPING CONSULTATIVE AND OTHER ARRANGEMENTS FOR MEMBERS EXPERIENCING PRONOUNCED SECTORAL DISRUPTIONS, AS A MEANS TO AVOID THEIR RECOURSE TO UNILATERAL PROTECTIVE ACTIONS.

2. WE ANTICIPATE THAT MOST OECD COUNTRIES WILL BE PREPARED TO RENEW THE OECD MINISTERIAL DECLARATION ON TRADE RESTRICTIVE ACTIONS AT THIS YEAR'S OECD MINISTERIAL MEETING WHICH WILL PROBABLY TAKE PLACE IN JUNE. WE STRONGLY SUPPORT RENEWAL OF THE PLEDGE. WE JUDGE THERE WILL BE SUBSTANTIAL RELUCTANCE, HOWEVER, TO REOPEN NEGOTIATION OF THE LANGUAGE OF THE PLEDGE. ANY SUCH RENEGOTIATION RUNS THE RISKS OF WEAKENING RATHER THAN STRENGTHENING THE PLEDGE'S OBLIGATIONS GIVEN THE INCREASED ECONOMIC DIFFICULTIES AND PRESSURES FACED BY MOST OECD GOVERNMENTS OVER THE PAST YEAR. MOST ATTENTION, THEREFORE, IS EXPECTED TO FOCUS ON THE PROBLEM OF GROWING SECTORAL UNEMPLOYMENT AND THE POTENTIAL RISK THIS CREATES FOR UNILATERAL ACTIONS TO SOLVE SECTORAL PROBLEMS BY TRADE RESTRICTIVE RATHER THAN DOMESTIC FISCAL OR MONETARY MEASURES. SUCH ACTIONS TO SHIFT THE BURDEN OF SECTORAL UNEMPLOYMENT TO OTHER COUNTRIES WILL MOST LIKELY TRIGGER COUNTER MEASURES BY OTHERS.

3. THE EXISTING OECD TRADE PLEDGE DOES NOT PRECLUDE ESCAPE CLAUSE ACTIONS WHICH CAN BE JUSTIFIED UNDER GATT ARTICLE XIX AND ARE NOT LINKED WITH THE PROBLEMS CAUSED BY THE ENERGY CRISIS. THE PLEDGE BY ITSELF THEN IS INEFFECTIVE IN PREVENTING A PROLIFERATION OF SUCH ACTIONS WHICH COULD UNDERMINE THE PURPOSE OF THE PLEDGE. WE EXPECT MOST OECD COUNTRIES (INCLUDING THE U.S.) WOULD AT THIS TIME BE UNWILLING TO AMEND THE PLEDGE IN ANY WAY WHICH REMOVES OUTRIGHT THE EXCEPTION FOR GATT ARTICLE XIX ACTIONS. MOREOVER, THE CONGRESS WOULD OBJECT TO ANY INTERNATIONAL COMMITMENT BY THE EXECUTIVE BRANCH WHICH RESTRICTS OUR FREEDOM OF ACTION TO TAKE ESCAPE CLAUSE ACTIONS UNDER US LEGISLATION. THE PROBLEM, THEREFORE, IS ONE OF REACHING CONSENSUS A) ON THE NATURE AND IMPLICATIONS LIMITED OFFICIAL USE

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OF THE SECTORAL PROBLEM AS IT RELATES TO THE TRADE PLEDGE, AND B) ON WORKING OUT CONSULTATIVE OR OTHER ARRANGEMENTS, AS ALREADY PROVIDED IN THE EXISTING PLEDGE, TO STRENGTHEN THE PLEDGE WHEREBY INDIVIDUAL OECD MEMBERS CAN BRING KEY SECTORAL PROBLEMS TO THE ATTENTION OF OTHER MEMBERS, AND SEEK COOPERATIVE SOLUTIONS TO HEAD OFF THE IMPLEMENTATION OF UNILATERAL ACTION.

4. WE SHOULD USE THE FEBRUARY 20 INFORMAL XCSS MEETING TO SEEK CONSENSUS THAT THE OECD MINISTERIAL DECLARATION ON TRADE AND OTHER CURRENT ACCOUNT MEASURES (I.E. TRADE PLEDGE) BE RENEWED AT THIS YEAR'S MINISTERIAL MEETING. WE SHOULD ALSO PROMOTE A DISCUSSION WHICH WILL CONCLUDE THAT A RENEWED TRADE PLEDGE SHOULD PROVIDE THE FRAMEWORK WITHIN WHICH MEMBERS CONFRONTED WITH SERIOUS SECTORAL DISRUPTIONS AND UNEMPLOYMENT WILL UNDERTAKE TO CONSULT WITH OTHER MEMBERS BEFORE RESORTING TO UNILATERAL PROTECTIVE ACTION. WE SHOULD STRESS THAT SUCH CONSULTATIVE ARRANGEMENTS SHOULD PROVIDE A MEANS WHEREBY COOPERATIVE SOLUTIONS COULD BE WORKED OUT THUS RELIEVING THE PRESSURE FOR UNILATERAL MEASURES. THE XCSS SHOULD BEGIN NOW TO WORK OUT ARRANGEMENTS PUTTING INTO PLACE THE FOREGOING APPROACH SO THAT IT CAN BE APPROVED BY MINISTERS AND BE A MAJOR ITEM FOR INCLUSION IN THE COMMUNIQUE OF THE OECD MINISTERIAL MEETING.

5. YOU MAY WISH DRAW ON FOLLOWING SUGGESTED TALKING POINTS FOR YOUR PARTICIPATION IN THE XCSS BUREAU MEETING:

(A) THE TRADE PLEDGE HAS SERVED US WELL. IN CURRENT ECONOMIC CONDITIONS IT IS NOW EVEN MORE IMPORTANT THAT COUNTRIES CONTINUE TO ABIDE BY THE PLEDGE. WE THINK THE LANGUAGE OF THE PLEDGE REMAINS VALID. NOT TO RENEW THE PLEDGE WOULD RAISE SERIOUS QUESTIONS OF CONFIDENCE IN OUR ABILITY TO FACE AND SOLVE OUR ECONOMIC PROBLEMS COOPERATIVELY.

(B) WE RECOGNIZE THAT MANY OECD COUNTRIES MUST TAKE INTO ACCOUNT THE IMPACT OF HIGH OIL PRICES AND THE DETERIORATING ECONOMIC SITUATION WORLDWIDE ON SPECIFIC SECTORS OF THEIR ECONOMY, AND THAT THEY MAY BE EXPOSED TO DOMESTIC POLITICAL PRESSURES FOR UNILATERAL PROTECTIVE LIMITED OFFICIAL USE

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ACTION TO ISOLATE THOSE SECTORS WHERE UNEMPLOYMENT AND/OR UNDER UTILIZATION OF CAPACITY IS HIGH.

(C) THE COMMON NATURE OF THESE PROBLEMS MAKES IT ESSENTIAL THAT THE INDUSTRIALIZED COUNTRIES WORK TOWARDS COORDINATED POLICY ACTIONS REGARDING THE USE OF SECTORAL SAFEGUARD MEASURES TO ENSURE THAT THESE DO NOT INITIATE THE BEGGAR-MY-NEIGHBOR POLICIES WHICH THE PLEDGE IS DESIGNED TO AVOID.

(D) WE SHOULD USE THE FRAMEWORK ESTABLISHED BY THE TRADE PLEDGE TO FURTHER STRENGTHEN OUR MUTUAL EFFORTS TO DEAL WITH SECTORAL PRESSURES WHICH ANY ONE OR MORE COUNTRIES IS OR MAY BE FACING.

(E) WE PROPOSE, THEREFORE, THAT THE XCSS CONSIDER
RECOMMENDING TO MINISTERS GENERAL CONSULTATIVE PROCEDURES
OR OTHER ARRANGEMENTS IN THE OECD SO THAT MAJOR INDUSTRIAL-
IZED NATIONS EXPERIENCING SEVERE SECTORAL DIFFICULTIES
ARE ABLE TO DISCUSS WITH OTHER MEMBERS COOPERATIVE
SOLUTIONS WHICH CAN REDUCE THE PRESSURES FOR UNILATERAL
ACTIONS WHICH CAN ONLY LEAD TO COUNTER-REACTIONS. INGERSOLL

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